IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

LODSYS GROUP, LLC,	§	
	§	
Plaintiff,	§	CIVIL ACTION NO. 2:11-cv-309 (JRG)
	§	
v.	§	
	§	
DRIVETIME AUTOMOTIVE GROUP, INC.;	§	
ESET, LLC;	§	
FORESEE RESULTS, LLC;	§	
LIVEPERSON, INC.;	§	
OPINIONLAB, INC.;	§	
THE NEW YORK TIMES COMPANY,	§	
	§	
Defendants.	§	

PLAINTIFF LODSYS GROUP, LLC'S OPPOSITION TO LIVEPERSON, INC'S MOTION TO DISMISS IN FAVOR OF FIRST-FILED ACTION

Plaintiff Lodsys Group, LLC respectfully submits this response in opposition to Defendant LivePerson, Inc.'s Motion to Dismiss in Favor of First-Filed Action [dkt. no. 61] (the "Dismissal Motion").[1]

I. INTRODUCTION

LivePerson asserts that this action should be dismissed based on the "well-established" first-to-file rule. LivePerson also asserts that allegedly it filed the "first" action — a declaratory judgment complaint — three weeks before Lodsys filed this action. But LivePerson fails to inform this Court that Lodsys filed an action ***in this Court*** against a customer of LivePerson (*i.e.*, Vitamin Shoppe, Inc.) five days before LivePerson filed its declaratory judgment complaint in

[1] On January 31, 2012, Lodsys, LLC entered into a patent sale agreement with Lodsys Group, LLC, whereby all rights, title, and interest to the patents-in-suit were assigned to Lodsys Group, LLC as of February 1, 2012. *See* Declaration of Mark Small (the "Small Decl.") at ¶ 4 and Ex. A, attached as Exhibit 1 to Plaintiff Lodsys, LLC's Unopposed Motion to Substitute Or, in the Alternative, Join Lodsys Group, LLC [dkt. no. 64]. On February 1, 2012, the Court entered an Order Granting Plaintiff Lodsys, LLC's Unopposed Motion to Substitute Or, in the Alternative, Join Lodsys Group, LLC [dkt. no. 65], which substituted Lodsys Group, LLC for Lodsys, LLC for all purposes in this action, including as plaintiff and counterclaim defendant. Accordingly, Lodsys, LLC and Lodsys Group, LLC are collectively referenced in this response as "Lodsys."

the Northern District of Illinois. In fact, the issues on which LivePerson seeks declaratory relief in its *second*-filed action are the same issues that Lodsys raised in the *first*-filed action against Vitamin Shoppe. Because "duplicative" and/or "substantially similar" issues were first presented to this Court, LivePerson's *second*-filed declaratory judgment action should be dismissed or transfered based on the first-to-file rule, not this action. Accordingly, LivePerson's Dismissal Motion should be denied.

II. RELEVANT BACKGROUND

A. Lodsys's *First*-Filed Action.

Lodsys is a Texas limited liability company with its principal place of business in Marshall, Texas. *See* Complaint for Patent Infringement [dkt no. 1] at ¶ 1; Small Decl. at ¶ 3. Lodsys maintains an office at its headquarters located at 505 East Travis Street, Suite 207, Marshall, Texas. *See* Small Decl. at ¶¶ 2-3. Lodsys is the owner by assignment of all of the patents-in-suit. *See* Complaint at ¶¶ 14, 25, 37; Small Decl. at ¶ 4 and Ex. A.

On March 22, 2011, Lodsys informed Vitamin Shoppe — a customer of LivePerson — that "[b]ased on Lodsys' review, this letter constitutes our notice that Vitamin Shoppe, Inc. is infringing at least claim 1 of US 7,620,565 and claim 1 of US 7,222,078 as it relates to your product's provision of online help, customer, or technical support for On-line Chat Help and similar products." *See* March 22, 2011 letter at 2, attached as Exhibit A.

On June 8, 2011, Lodsys provided Vitamin Shoppe with two representative claim charts describing Vitamin Shoppe's infringement of the '078 and '908 patents. *See* June 8, 2011 letter and claim charts, attached as Exhibit B. Specifically, the claim chart concerning the '078 patent mapped how Vitamin Shoppe's live interactive chat, which LivePerson alleges uses and incorporates LivePerson's live chat products, infringes the '078 patent. *See id.*

On June 10, 2011 — five days *before* LivePerson filed its *second*-filed declaratory judgment action — Lodsys filed a patent infringement action ***in this Court*** against several defendants, including Vitamin Shoppe. *See* Complaint for Patent Infringement [dkt no. 1] (the "Vitamin Shoppe Complaint") in action styled as *Lodsys, LLC v. adidas America, Inc., et al.*,

Case No. 2:11-cv-283. In that *first*-filed action, Lodsys alleges that "Vitamin Shoppe makes, sells, offers to sell, and/or uses infringing live interactive chat, including but not limited to live interactive chat on www.vitaminshoppe.com, which infringes at least claim 1 of the '078 patent under 35 U.S.C. § 271." *See* Vitamin Shoppe Complaint at ¶ 17.

B. LivePerson's *Second*-Filed Action.

LivePerson is a Delaware corporation with its principal place of business in New York, New York. *See* Complaint for Declaratory Judgment (the "Declaratory Judgment Complaint") at ¶ 6, attached as Ex. A to LivePerson's Dismissal Motion. LivePerson maintains an office at its headquarters located at 462 7th Avenue, 3rd Floor, New York, New York. *See id*. LivePerson alleges that it is "a leading provider of online intelligent engagement products." *See id.*

On June 15, 2011 — five days *after* Lodsys filed its *first*-filed action against LivePerson's customer in this Court — LivePerson filed a declaratory judgment action in Northern District of Illinois against Lodsys. *See* Dismissal Motion at 1 and Ex. A. In that *second*-filed action, LivePerson alleges that "Lodsys has lodged accusations of infringement … against a number of LivePerson's customers and, at least in part, on their use of LivePerson products supplied to those customers." *See* Declaratory Judgment Complaint at ¶ 10. LivePerson also alleges that "Lodsys sent letters alleging that LivePerson's customers 'utilize the inventions embodied in the Lodsys Patents'" and that "[t]he customer product(s) discussed in those letters included references to LivePerson product(s) provided to those customers." *See id.* at ¶¶ 11-12.

On July 5, 2011, Lodsys moved (in the Northern District of Illinois) to dismiss the Declaratory Judgment Complaint for lack of personal jurisdiction and improper venue. *See* Memorandum in Support of Defendant's Motion to Dismiss, attached hereto as Exhibit C.

On October 24, 2011, LivePerson and Lodsys stipulated to transfer the Declaratory Judgment Complaint to the Eastern District of Wisconsin. *See* Stipulated Motion to Transfer Venue, attached as Exhibit D. The parties reached their agreement to transfer "without waiving their respective positions on whether jurisdiction and venue are proper" in the Northern District

of Illinois. *See id*. at ¶ 4. Lodsys also expressly reserved "all rights and arguments concerning whether venue would be more appropriate in the Eastern District of Texas." *See id*. at ¶ 7.

On January 27, 2012 — four days *after* LivePerson filed its Dismissal Motion in this Court — LivePerson filed an amended complaint in the Eastern District of Wisconsin. *See* Amended Complaint for Declaratory Judgment (the "Amended Declaratory Judgment Complaint"), attached hereto as Exhibit E. As alleged in its original complaint, LivePerson again alleges that "Lodsys has lodged accusations of infringement … against a number of LivePerson's customers" and that "[a]s an example of who those customers infringe, Lodsys referred to the customers' use of LivePerson products." *See* Amended Declaratory Judgment Complaint at ¶ 12. LivePerson also again alleges that "Lodsys sent letters alleging that LivePerson's customers 'utilize the inventions embodied in the Lodsys Patents'" and that "[s]ome letters included claim charts that compared each customer's use of LivePerson's live chat products to a claim from the '078 patent." *See id.* at ¶ 13.

C. Lodsys's *Additional* Related Actions.

On July 5, 2011, Lodsys filed this patent infringement action in this Court against LivePerson and several other defendants. *See* Complaint for Patent Infringement [dkt no. 1]. Lodsys alleges that "LivePerson makes, sells, offers to sell, and/or uses infringing live interactive chat, including but not limited to live interactive chat on www.liveperson.com, which infringes at least claim 1 of the '078 patent under 35 U.S.C. § 271." *See id.* at ¶ 16. In other words, the allegations of infringement are nearly identical to the alleged infringement by Vitamin Shoppe in Lodsys's *first*-filed action in this Court.

In addition to the action against Vitamin Shoppe and subsequent related action against LivePerson, Lodsys also filed two additional patent infringement actions ***in this Court***. *See* Complaint for Patent Infringement [dkt no. 1] in action styled as *Lodsys, LLC v. Brother International Corporation, et al.*, Case No. 2:11-cv-90; Complaint for Patent Infringement [dkt no. 1] in action styled as *Lodsys, LLC v. Combay, Inc., et al.*, Case No. 2:11-cv-272. Those related actions were filed on February 11, 2011 (*i.e.*, four months before LivePerson filed its

declaratory judgment action) and May 31, 2011 (*i.e.*, fifteen days before LivePerson filed its declaratory judgment action).

III. ARGUMENT

Under the first-to-file rule, the "Fifth Circuit [has] concluded that the court with prior jurisdiction over a common subject matter may best resolve all issues prosecuted in the ***related actions***." *Hemmings v. United States*, 842 F. Supp. 935, 937 (S.D. Tex. 1993) (citing *Mann Mfg., Inc. v. Hortex, Inc.*, 439 F.2d 403 (5th Cir.1971) (emphasis added). "The concern manifestly is to avoid the waste of duplication, to avoid rulings which may trench upon the authority of sister courts, and to avoid piecemeal resolution of issues that call for a uniform result." *W. Gulf Mar. Ass'n v. ILA Deep Sea Local 24, S. Atl. & Gulf Coast Dist. of ILA, AFL-CIO*, 751 F.2d 721, 729 (5th Cir. 1985).

"In determining whether to apply the 'first-to-file' rule to an action, a court must resolve two questions: 1) are the two pending actions so duplicative or involve substantially similar issues that one court should decide the subject matter of both actions and 2) which of the two courts should take the case?" *Cummins-Allison Corp. v. Glory Ltd.*, No. 2-03-CV-358TJ, 2004 WL 1635534, *3 (E.D. Tex. May 26, 2004). "As to the first inquiry, all that need be present is that the two actions involve closely related questions or common subject matter, or that the core issues substantially overlap…. As to the second inquiry, the rule is that the court first seized of jurisdiction over a dispute should be permitted to adjudicate that controversy fully." *Texas Instruments Inc. v. Micron Semiconductor, Inc.*, 815 F. Supp. 994, 997 (E.D. Tex. 1993).

As discussed below, LivePerson's dismissal motion should be denied because (a) Lodsys filed the first action in this Court; (b) granting LivePerson's Dismissal Motion would unnecessarily fragment related actions, waste judicial resources, and risk inconsistent claim constructions; and (c) at the very least, the Court should delay its decision on LivePerson's Dismissal Motion pending rulings by the Eastern District of Wisconsin on Lodsys's motions to dismiss and/or transfer LivePerson's *second*-filed declaratory judgment action.

A. LivePerson's Dismissal Motion Should Be Denied Because Lodsys Filed the First Action in this Court.

"To properly apply the first-to-file rule, the district court need only find that substantial overlap is likely between its case and a pending case in another federal court that was filed previously." *Luckett v. Peco Foods, Inc.*, No. 3:07-CV-85-KS-MTP, 2008 WL 534760, *3 (S.D. Miss. Feb. 22, 2008). The focus of the inquiry is whether the issues in the two actions are "duplicative" or "substantially similar;" indeed, "it is enough that the overall content of each suit is not very capable of independent development, and will be likely to overlap to a substantial degree." *California Sec. Co-Op, Inc. v. Multimedia Cablevision, Inc.*, 897 F. Supp. 316, 317-18 (E.D. Tex. 1995) (internal quotation marks omitted). In other words, the "cases need not be identical to be duplicative." *Texas Instruments Inc.*, 815 F. Supp. at 997.

Here, there can be no serious dispute that the issues in Lodsys's *first*-filed action against Vitamin Shoppe and LivePerson's *second*-filed declaratory judgment action are "substantially similar," if not identical. Both actions involve the validity of Lodsys's patents and whether Vitamin Shoppe's live interactive chat, which LivePerson alleges uses and incorporates LivePerson's live chat products, infringes Lodsys's patents. In fact, LivePerson admits in its Amended Declaratory Judgment Complaint that its allegations are based entirely on Lodsys's "accusations of infringement" against "LivePerson's customers" regarding "the customers' use of LivePerson products." *See* Amended Declaratory Judgment Complaint at ¶ 12. Accordingly, LivePerson's request to dismiss this related action should be denied, because Lodsys filed the first action in this Court. *See E-Z-EM, Inc. v. Mallinckrodt, Inc.*, No. 2-09-CV-124, 2010 WL 1378820, *1-2 (E.D. Tex. Feb. 26, 2010) (denying motion to dismiss based on first-filed "related" action).

Moreover, the fact that Lodsys's *first*-filed action was against Vitamin Shoppe (rather than LivePerson) does not preclude application of the first-to-file rule. In fact, the Fifth Circuit has rejected the argument that the two actions must involve "identical" parties. *See Save Power Ltd. v. Syntek Fin. Corp.*, 121 F.3d 947, 950 (5th Cir. 1997). Other courts have similarly "found no requirement that the parties in the concurrent actions be the same in order for the first-to-file

rule to apply;" rather, the "'subject matter' requirement of the first-to-file rule is satisfied in patent infringement matters where the actions in question involve the same patent and the same allegedly infringing product, though not necessarily the same parties." *Shire U.S., Inc. v. Johnson Matthey, Inc.*, 543 F. Supp. 2d 404, 408 (E.D. Pa. 2008).

In fact, courts have repeatedly applied the first-to-file rule in relationships analogous to that between Vitamin Shoppe and LivePerson. *See e.g.*, *Microchip Tech., Inc. v. United Module Corp.*, No. CV-10-04241-LHK, 2011 WL 2669627, at *3 (N.D. Cal. July 7, 2011) (transferring manufacturer's declaratory judgment action to forum of pre-existing suit against related entities and customers); *Horton Archery, LLC v. Am. Hunting Innovations, LLC*, No. 5:09CV1604, 2010 WL 395572, *2 (N.D. Ohio Jan. 27, 2010) ("The first-to-file rule does not require that the issues and parties in the two actions be identical."); *Interactive Fitness Holdings, LLC, v. Icon Health & Fitness, Inc.*, No. 10-CV-04628-LHK, 2011 WL 1302633, *3 (N.D. Cal. Apr. 5, 2011) ("If the Utah action and the instant case were to proceed in both courts, duplicative and potentially inconsistent claim construction and infringement analyses would inevitably result. The first-to-file rule exists to prevent this situation, and the Court finds that it is properly applicable here.").

Shire is particularly instructive. There, Johnson Matthey (the holder of a pharmaceutical patent) filed an infringement action in the Eastern District of Texas against Noven, a manufacturer. A month later, Shire (the distributor of Noven's product) filed a declaratory judgment action for non-infringement in the Eastern District of Pennsylvania. Johnson Matthey then amended its complaint in Texas to add Shire as defendant, and moved to dismiss the Pennsylvania declaratory judgment action. 543 F. Supp. 2d at 406. The court held that the first-to-file rule should apply against Shire, even though it was not originally a party to the Texas action, because the Texas action was the first to raise the relevant issues:

> However, the timing of the addition of Shire as a party to the Texas suit is not material to the determination of which action was first-filed. ***Rather, as previously noted, the substantive touchstone of the first-to-file inquiry is subject matter.*** As such, because the Texas court obtained possession of the subject of this dispute on June 19, 2007, nearly a month before this Court obtained possession of the same, the first-to-file rule compels dismissal of the instant

> declaratory judgment action in favor of the Texas Action, unless some exception to the rule applies.

Id. at 409-10 (emphasis added).

Similarly here, LivePerson was not named as a party in Lodsys's *first*-filed action against Vitamin Shoppe, however, Vitamin Shoppe is a customer of LivePerson and LivePerson alleges that Vitamin Shoppe uses and incorporates LivePerson's live chat products. The first-to-file rule therefore precludes dismissal of this action, because the issue of whether LivePerson's customers infringe Lodsys's patents was first raised in this Court, not the Eastern District of Wisconsin. And because the first action was filed in this Court, this Court (not the Eastern District of Wisconsin) should resolve which action proceeds. *See Cadle Co. v. Whataburger of Alice, Inc.*, 174 F.3d 599, 605 (5th Cir. 1999) ("under Fifth Circuit precedent that balancing act is reserved only for the first-filed court"). Accordingly, LivePerson's Dismissal Motion should be denied. *See Sutter Corp. v. P & P Indus., Inc.*, 125 F.3d 914, 920 (5th Cir. 1997) ("the 'first to file rule' … determines which court may decide the merits of substantially similar cases").

B. Granting LivePerson's Dismissal Motion Would Unnecessarily Fragment Related Actions, Waste Judicial Resources, and Risk Inconsistent Claim Constructions.

As LivePerson asserts in its Dismissal Motion, the Supreme Court has stated that, "[a]s between federal district courts … the general principle is to avoid duplicative litigation." *Colorado River Water Conservation Dist. v. U. S.*, 424 U.S. 800, 817 (1976). Indeed, the Federal Circuit has found that in patent cases "judicial economy plays a paramount role in trying to maintain an orderly, effective, administration of justice and having one trial court decide all of these claims clearly furthers that objective." *In re Google Inc.*, 412 F. App'x. 295, 296, 2011 WL 772875 (Fed. Cir. Mar. 4, 2011). To that end, the first-to-file rule seeks "to maximize judicial economy and minimize embarrassing inconsistencies by prophylactically refusing to hear a case raising issues that might substantially duplicate those raised by a case *pending* in another court." *Cadle Co.*, 174 F.3d at 604.

Here, even if this action is dismissed, the Court will still adjudicate nearly identical issues in Lodsys's *first*-filed action against Vitamin Shoppe. The Court will also adjudicate nearly

identical issues in Lodsys's other two related actions, *i.e.*, Case No. 2:11-cv-90 (*Lodsys, LLC v. Brother International Corporation, et al.*) and Case No. 2:11-cv-272 (*Lodsys, LLC v. Combay, Inc., et al.*). Thus, granting LivePerson's Dismissal Motion creates the very evils that the first-to-file rule seeks to avoid: unnecessarily fragmented related actions, wasted judicial resources, and the risk of inconsistent claim constructions. *See Mondis Tech. Ltd. v. Top Victory Electronics (Taiwan) Co. Ltd.*, No. 2:08-CV-478 (TJW), 2010 WL 3025243, *2 (E.D. Tex. July 29, 2010) ("first-to-file rule seeks to 'maximize judicial economy and minimize embarrassing inconsistencies'"); *see also Adrain v. Genetec Inc.*, No. 2:08-CV-423, 2009 WL 3063414, *3 (E.D. Tex. Sept. 22, 2009) ("In addition to the burden on the courts, the existence of multiple lawsuits interpreting the same patent creates an unnecessary risk of inconsistent claim construction and adjudication.").

C. At the Very Least, the Court Should Delay its Decision on LivePerson's Dismissal Motion Pending Rulings on Lodsys's Motions to Dismiss and/or Transfer LivePerson's *Second*-Filed Declaratory Judgment Action.

LivePerson recently filed its Amended Declaratory Judgment Complaint in the Eastern District of Wisconsin, and Lodsys's response is due on February 10, 2012. Lodsys intends to file a motion to dismiss, stay, or transfer LivePerson's *second*-filed declaratory judgment action based on, *inter alia*, the first-to-file rule. In the alternative, and depending on the ruling on the motion to dismiss, Lodsys also intends to file a separate motion under 28 U.S.C. § 1404(a) to transfer LivePerson's *second*-filed declaratory judgment action to this Court.

As discussed above, LivePerson's Dismissal Motion should be denied because Lodsys filed the first action in this Court, and granting LivePerson's Dismissal Motion would unnecessarily fragment related actions, waste judicial resources, and risk inconsistent claim constructions. And this Court (not the Eastern District of Wisconsin) should resolve which action proceeds, because "[i]n the absence of compelling circumstances the court initially seized of a controversy should be the one to decide whether it will try the case." *Mann Mfg.*, 439 F.2d at 403. But if the Court has any doubts, at the very least, the Court should delay its decision on LivePerson's Dismissal Motion pending rulings by the Eastern District of Wisconsin on

Lodsys's motions to dismiss and/or transfer LivePerson's *second*-filed declaratory judgment action. *See Cadle Co.*, 174 F.3d at 603 ("Under the first-to-file rule, when related cases are pending before two federal courts, the court in which the case was last filed may refuse to hear it if the issues raised by the cases substantially overlap.").

IV. CONCLUSION

For all of the above reasons, LivePerson's Dismissal Motion should be denied. In the alternative, the Court should delay its decision on LivePerson's Dismissal Motion until after the Eastern District of Wisconsin rules on Lodsys's forthcoming motions to dismiss and/or transfer LivePerson's *second*-filed declaratory judgment action.

Dated: February 9, 2012.

Respectfully Submitted,

By: /s/ Christopher M. Huck

Michael A. Goldfarb
(admitted *pro hac vice*)
Christopher M. Huck
(admitted *pro hac vice*)
KELLEY, DONION, GILL,
HUCK & GOLDFARB, PLLC
701 Fifth Avenue, Suite 6800
Seattle, Washington 98104
Phone: (206) 452-0260
Fax: (206) 397-3062
Email: goldfarb@kdg-law.com
huck@kdg-law.com

William E. "Bo" Davis, III
Texas State Bar No. 24047416
THE DAVIS FIRM, PC
111 West Tyler Street
Longview, Texas 75601
Phone: (903) 230-9090
Fax: (903) 230-9090
Email: bdavis@bdavisfirm.com

Attorneys for Plaintiff

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was filed electronically in compliance with Local Rule CV-5(a). As such, this response was served on all counsel who are deemed to have consented to electronic service. Local Rule CV-5(a)(3)(V). Pursuant to Fed. R. Civ. P. 5(d) and Local Rule CV-5(d) and (e), all other counsel of record not deemed to have consented to electronic service were served with a true and correct copy of the foregoing by email, on this the 9th day of February, 2012.

By: /s/ Christopher M. Huck
Christopher M. Huck